

ORDER NO. 1389

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton;  
Tony Hammond; and  
Robert G. Taub

Notice of Price Adjustment

Docket No. R2012-9

NOTICE AND ORDER CONCERNING MARKET DOMINANT  
PRICE ADJUSTMENT FOR FIRST-CLASS MAIL AND STANDARD MAIL

(Issued June 29, 2012)

I. INTRODUCTION

On June 27, 2012, the Postal Service filed a notice with the Commission announcing its intent to adjust prices for several market dominant products within First-Class Mail and Standard Mail pursuant to 39 U.S.C. 3622 and 39 CFR 3010.<sup>1</sup> The adjustment is a 2-percent discount on the prices for First-Class Mail and Standard Mail letters, flats, and cards (presort and automation), which include a qualifying mobile barcode or similar print technology inside or on the qualifying mailpieces (Mobile Shopping Promotion). Notice at 1. The Mobile Shopping Promotion is proposed to take effect at 12:01 a.m. on November 7, 2012 and will expire at 11:59 p.m. on November 21, 2012. *Id.*

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<sup>1</sup> United States Postal Service Notice of Market-Dominant Price Adjustment, June 27, 2012 (Notice).

## II. POSTAL SERVICE FILING

*Incentive program.* The Postal Service proposes an upfront 2-percent discount on First-Class Mail and Standard Mail letters, flats, and cards (presort and automation) that include, in or on the mailpiece, a mobile barcode (or other print/mobile technology). *Id.* This technology must direct the recipients of the mailpieces to a mobile-optimized website that allows them to purchase an advertised product on the mobile device. The Postal Service also proposes to allow mailers to qualify for an extra 1-percent rebate on their qualifying mailings, if a portion of their orders is fulfilled via Priority Mail® between November 9, 2012 and December 31, 2012. *Id.* at 1-2. In order to claim the rebate, mailers would be required to demonstrate that the number of Priority Mail packages delivered to customers exceeded 0.5 percent of the total number of qualifying mailpieces sent during the Mobile Shopping Promotion. *Id.* at 7. Mailers may submit applications for this rebate between January 1, 2013 and February 15, 2013. *Id.* at 9.

Participants will be required to register for and accept the terms of the Mobile Shopping Promotion at least 2 hours prior to their first qualifying mailing. *Id.* at 7-8. Participants must disclose which permits will be participating in the Mobile Shopping Promotion and agree to participate in a survey at the end of the promotional period. *Id.* at 8. The Postal Service plans to open registration around September 15, 2012. *Id.*

The Postal Service will require the mailings to be submitted electronically via mail.dat, mail.xml, or Postal Wizard. Mailers must affirmatively claim the Mobile Shopping Promotion on their electronic postage submissions and certify that each mailpiece meets the requirements. Mailers must claim the Mobile Shopping Promotion discount at the time of mailing. *Id.* Postage must be paid using a permit imprint, pre-cancelled stamp permit, or qualifying meter mail. *Id.* at 8-9.

*Standard Mail Flats compliance with 39 U.S.C. 101(d).* In its FY2010 Annual Compliance Determination Report, the Commission directed the Postal Service to increase the cost coverage of the Standard Mail Flats product through a combination of

above-average price adjustments and cost reductions.<sup>2</sup> The Postal Service acknowledges that the Mobile Shopping Promotion will have the short-term effect of lowering postage revenues from Standard Mail Flats. However, it contends that the long-term effect will be to encourage future revenue growth by improving the value of direct mail to advertisers. Notice at 10. Also, the Postal Service expects the revenue loss to be much smaller than the loss expected from the Mobile Shopping Promotion approved by the Commission in Docket No. R2012-6. *Id.* at 13.

*Impact on the price cap.* The Postal Service will not calculate the cap implication of the discount as described in rule 3010.14(b)(1) through (4). *Id.* at 14. The Postal Service states that, consistent with past limited-availability discounts, it intends to essentially ignore the effect of the price decrease resulting from the program on the price cap for both future and current prices. *Id.*

*Objectives and factors, workshare discounts, and preferred rates.* The Postal Service lists the relevant objectives and factors of 39 U.S.C. 3622, and claims the program to a large extent “does not substantially alter the degree to which First-Class Mail and Standard Mail prices already address” the objectives and factors. *Id.* at 16. In particular, the Postal Service contends that the Mobile Shopping Promotion is an example of the increased pricing flexibility under the Postal Accountability and Enhancement Act (objective 4), and will encourage new mail volumes, which will have the effect of enhancing the financial position of the Postal Service (objective 5). *Id.* at 16. Similarly, the Postal Service claims that the Mobile Shopping Promotion encourages increased mail volume (factor 7) and will not imperil the ability of First-Class Mail or Standard Mail to cover its attributable costs (factor 2). *Id.* at 18.

According to the Postal Service, the Mobile Shopping Promotion will not impact current workshare discounts. *Id.* As the Mobile Shopping Promotion does not exclude any mailers, the Postal Service asserts that it will not affect compliance with any preferred rate requirements. *Id.* at 19.

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<sup>2</sup> Docket No. ACR2010, Annual Compliance Determination Report, March 29, 2011 at 106.

*Mail Classification Schedule (MCS)*. The Postal Service provides proposed MCS language in Appendix A of its Notice. It outlines the proposed changes in the MCS for the relevant products. *Id.* Appendix A.

### III. COMMISSION ACTION

The Commission establishes Docket No. R2012-9 to consider all matters related to the Notice. The Commission's rules provide for a 20-day comment period starting from the date of the filing of the Notice. See 39 CFR 3010.13(a)(5). Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3622 and 39 CFR 3010. Comments are due no later than July 17, 2012.

The Commission appoints Katalin K. Clendenin to represent the interests of the general public in this proceeding.

*It is ordered:*

1. The Commission establishes Docket No. R2012-9 to consider matters raised by the Postal Service's June 27, 2012 Notice.
2. Interested persons may submit comments on the planned price adjustments. Comments are due no later than July 17, 2012.
3. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary